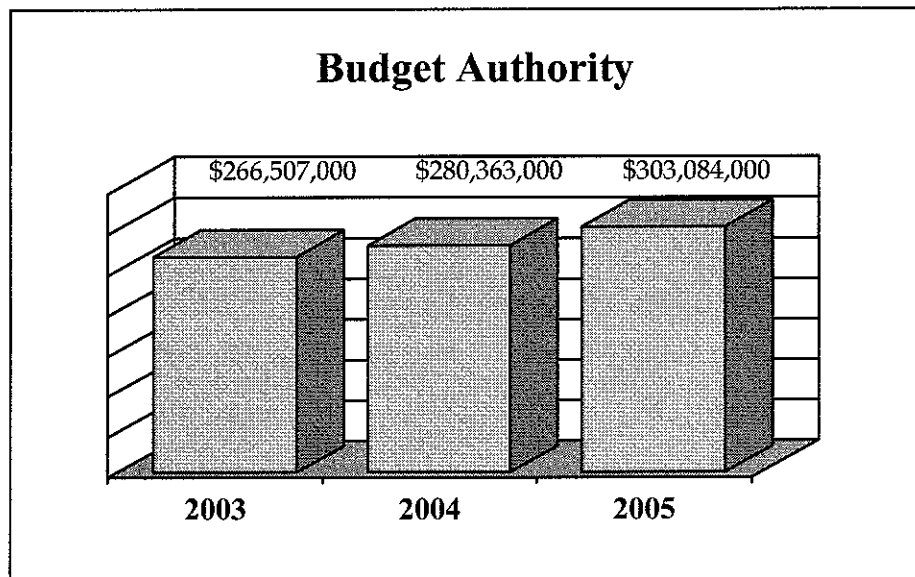


Departmental Administration

General Administration

This appropriation, along with reimbursements from: (1) the credit reform appropriations, and (2) other miscellaneous accounts fund the Department of Veterans Affairs General Administration activity.

General Administration includes the Secretary's office and all Department level staff offices except the National Cemetery Administration, the Office of Acquisition and Materiel Management, and the Office of the Inspector General. The General Administration function provides management assistance and support to all Department programs.



Budget authority of \$303,084,000 and 2,623 FTE are requested to support the General Administration activity in 2005. Of this amount, no more than \$5,524,000 is available for construction activities. Realigning the construction funding within this account is consistent with the agency's budget account restructuring effort. The budget request is \$22.7 million above the level reflected in the 2004 Consolidated Appropriations bill of \$280.4 million. The \$22.7 million increase includes a shift of BA from other VA

accounts for the Office of Business Oversight (OBO) and for the CIO reorganization. As a result, the General Administration increase is only \$9.5 million above the 2004 level when the transfers are excluded. The new business oversight office and CIO reorganization will allow VA to streamline operations and improve oversight of programs that cross organizational lines. Details of these transfers are discussed in the individual chapters of the respective offices. In total, the General Administration budget authority, combined with \$340.1 million in estimated reimbursements, and an estimated net change in construction carryover of \$2.3 million, will provide for total gross obligations of \$645.5 million and 2,623 FTE in 2005. Highlights of the 2005 request are briefly summarized below.

The Board of Contract Appeals (BCA) is requesting \$1.6 million in budget authority and 12 FTE in total obligations for 2005. This funding level will ensure that BCA can continue to improve the timeliness of appeal decisions, increase the percentage of cases using Alternative Dispute Resolution (ADR), and promote the use of ADR throughout the Department for non-contractual matters, such as workplace disputes.

The Board of Veterans' Appeals is requesting \$51.7 million and 443 FTE in 2005. This funding will provide the Board additional resources to address pending appeals and contribute to the Departmental goal to improve the appeals resolution time by 20 days over the 2004 level.

The 2005 request has been adjusted to reflect the centralization of handling remanded cases with VBA. Due to the backlog of remanded cases at the regional offices, the Secretary directed the preparation of regulations that would permit the Board to develop evidence or cure procedural defects without a remand. This regulation became effective on February 25, 2002. The Board's Evidence Development Unit (EDU) began developing cases in February 2002 and by the end of March 2003, the remand rate was down to 13 percent. In May 2003, the Federal Circuit Court of Appeals invalidated key aspects of the regulation authorizing the Board to develop evidence and subsequently decide those cases. The Secretary then decided to centralize the handling of remanded cases with VBA. The Secretary's decision to centralize the remand function within VBA complies with the Federal Circuit's decision while preserving VA's ability to significantly reduce the time required to resolve those cases. It provides the added benefits of facilitating VBA analysis of the reasons for remands, so that systemic issues can be addressed. To facilitate the Secretary's decision, VA will reallocate \$1.65 million and 31 FTE from BVA to VBA within the GOE account in FY 2004. This adjustment is also reflected in the 2005 base.

The Office of General Counsel (OGC) is requesting \$59.1 million in budget authority and 647 FTE to support its operations in 2005. One hundred fifteen (114) of the 647 FTE are supported by an additional \$10.1 million in estimated reimbursements. The

reimbursements include OGC's commitment for legal services, resulting in a total obligation of \$69.2 million. The total obligation level will fund annual payroll increases and associated benefits, and increased non-payroll. Additional funds are also needed to cover new rent expenses in Nashville and replace outdated ADP equipment.

The Office of Management (OM) is requesting \$38 million and 329 FTE to support its operations in 2005. The budget authority, together with \$75.6 million in reimbursable authority, including VBA's contribution of \$3 million for coreFLS, will provide for an estimated total obligation of \$113.6 million in 2005. Reimbursements fund coreFLS, medical care financial operation and program reviews, enhanced-use leases, and assistance in financial policy development and oversight.

The Office of Management's budget includes the establishment of a new Office of Business Oversight (OBO). In June 2003, the Secretary approved the implementation plan for this new office. The OBO will report directly to the Assistant Secretary for Management, who also serves as the Chief Financial Officer and Senior Procurement Official for the Department. Currently VA has approximately 150 facilities that have individuals working on financial activities as well as multiple contracting and logistics activities. The long-term goal for this new office is to consolidate and streamline these functions in order to improve finance, acquisition, and capital asset management operations. This effort will consolidate the quality assurance oversight role for financial operations, asset management, contracting, logistics and inventory that currently exists across the Department into one office. Specifically, this includes the oversight activities that reside within VHA, VBA, and the two activities in the Office of Management that report to the Office of Finance and Office of Acquisition and Materiel Management. By consolidating the activities into one office, VA will experience a standard review process, obtain standardization of activities in the field, create efficiencies across organizational lines, and reduce review cycles to a two-year cycle.

In order to establish the office in the most cost effective manner, the Department will shift existing resources from current oversight offices to OBO. The 2005 budget includes a shift of \$3.4 million and 26 FTE from the Administration's budgets and 4.6 million and 36 FTE from the Office of Finance's Financial and Systems Quality Assurance Service. This budget authority, combined with a total of \$4.5 million in reimbursements from MCCF (20 FTE) and OAMM (20 FTE) will provide this office with a total obligational authority of \$12.4 million.

The budget also includes funding for the Office of Asset Enterprise Management, which provides oversight in the capital asset arena to ensure a consistent and cohesive Department approach to capital asset management. This request enables VA to enhance its capital asset management activities including full deployment of a

performance management system to track cost, schedule and performance of new and existing assets, track financial, space and capital impacts of the CARES program, improve real property management efforts, engage in consolidated energy initiatives that will significantly reduce VA's energy costs and more fully implement the newly development energy conservation program.

The Office of Information and Technology (OI&T) is requesting \$43.5 million in total budget authority and 328 FTE to support its operations in 2005. The OI&T budget authority, combined with \$222.4 million in reimbursements will provide OI&T with \$265.9 million in total obligational authority. The \$222.4 represents the current estimate required to carry out VA's IT initiatives. Final reimbursement levels from the Administrations will be based on implementation plans.

The 2005 OI&T level includes \$9.8 million and 91 FTE which are shifted from the Administration's budget for the IT reorganization that was approved by the Secretary on May 16, 2003. Staff was transferred from VHA, VBA, and NCA into OI&T's Offices of Cyber Security, Telecommunications, Policy and Enterprise Architecture effective October 1, 2003. While VA has adjusted the budget authority for 2005, the reorganization will be treated as a reimbursement in 2004. Also included in this request is funding for increased costs in the areas of Cyber Security and Enterprise Architecture programs.

The 2005 OI&T request also includes resources necessary to support increased requirements of ongoing initiatives such as Telecommunication Modernization Project, Eligibility and Registration and Contact Center. Additional reimbursement funding is required for VA's Virtual Private Network (VPN) and Internet Service Provider (ISP) projects and WAN Maintenance to provide adequate resources for telecommunications. Funding for the Department's e-gov initiatives is also included in the request.

The Office of Human Resources and Administration (HR&A) is requesting \$83.3 million in total obligational authority and 540 FTE in 2005. Of this total, \$54 million and 283 FTE is a request for direct appropriations. An estimated reimbursement of \$29.3 million and 257 FTE is included, of which ORM operations is the largest component at \$25.5 million.

The Office of Policy, Planning, and Preparedness (OPPP) is requesting \$27.1 million and 119 FTE in 2005. This is an increase of 3 percent above the 2004 Consolidated Appropriations Bill. With these resources, OPPP will continue to facilitate the Department's strategic planning and information needs. OPPP anticipates being able to carry out all planned evaluations and emergency preparedness exercises at this funding level.

The Office of Public and Intergovernmental Affairs (PIA) is requesting \$10.9 million and 87 FTE in 2005. This is an increase of \$280 thousand above the level reflected in the 2004 Consolidated Appropriations Bill. Of this increase, almost \$205 thousand is to provide for payroll current services. In addition, funds include development of a cable access video program.

The Office of Congressional and Legislative Affairs (OCLA) is requesting \$4.3 million and 40 FTE in 2005. This is an increase of \$106 thousand above the 2004 level to fund payroll current services.

Activity Highlights

(dollars in thousands)

	2004				
	2003	Budget	Current	2005	Increase (+)
	Actual	Estimate	Estimate	Request	Decrease (-)
Office of the Secretary:					
Budget Authority (net)	\$5,487	\$7,100	\$7,058	\$7,243	\$185
Reimbursements	\$2,323	\$2,826	\$2,698	\$2,785	\$87
Net carryover	\$935	\$0	\$239	\$0	-\$239
Obligations	\$8,745	\$9,926	\$9,995	\$10,028	\$33
Average Employment	68	78	78	78	0
Board of Contract Appeals:					
Budget Authority (net)	\$1,438	\$1,602	\$1,593	\$1,632	\$39
Net carryover	\$103				\$0
Obligations	\$1,541	\$1,602	\$1,593	\$1,632	\$39
Average Employment	11	12	12	12	0
Board of Veterans' Appeals:					
Budget Authority (net)	\$48,434	\$50,443	\$48,505	\$51,676	\$3,171
Net carryover	-\$1,547		\$1,547		-\$1,547
Obligations	\$46,887	\$50,443	\$50,052	\$51,676	\$1,624
Average Employment	451	448	448	443	-5
Office of the General Counsel:					
Budget Authority (net)	\$51,433	\$54,254	\$55,723	\$59,090	\$3,367
Reimbursements	\$9,515	\$9,737	\$9,890	\$10,079	\$189
Net carryover	\$3,447				\$0
Obligations	\$64,395	\$63,991	\$65,613	\$69,169	\$3,556
Average Employment	678	664	647	647	0
Assistant Secretary for Management:					
Budget Authority (net)	\$39,460	\$40,048	\$37,728	\$38,024	\$296
Reimbursements	\$83,524	\$64,021	\$46,114	\$75,584	\$29,470
Net carryover	-\$10,423		\$9,823		-\$9,823
Obligations	\$112,561	\$104,069	\$93,665	\$113,608	\$19,943
Average Employment	245	289	296	329	33
Assistant Secretary for Information and Technology:					
Budget Authority (net)	\$26,177	\$30,943	\$30,760	\$43,529	\$12,769
Reimbursements	\$80,139	\$35,645	\$193,203	\$222,372	\$29,169
Net carryover					\$0
Obligations	\$106,316	\$66,588	\$223,963	\$265,901	\$41,938
Average Employment	189	226	328	328	0
Assistant Secretary for Human Resources and Administration:					
Budget Authority (net)	\$51,513	\$52,824	\$52,513	\$54,027	\$1,514
Reimbursements	\$29,358	\$26,902	\$28,726	\$29,277	\$551
Net carryover	\$551	\$0	\$0	\$0	\$0
Obligations	\$81,422	\$79,726	\$81,239	\$83,304	\$2,065
Average Employment	533	527	531	540	9

Activity Highlights

(dollars in thousands)

	2004				
	2003	Budget	Current	2005	Increase (+)
	Actual	Estimate	Estimate	Request	Decrease (-)
Assistant Secretary for Policy, Planning, and Preparedness:					
Budget Authority (net)	\$22,440	\$26,392	\$26,236	\$27,079	\$843
Net carryover	\$1,813		\$1,851		-\$1,851
Obligations	\$24,253	\$26,392	\$28,087	\$27,079	-\$1,008
Average Employment	99	119	119	119	0
Assistant Secretary for Public and Intergovernmental Affairs:					
Budget Authority (net)	\$9,631	\$10,702	\$10,639	\$10,919	\$280
Net carryover	\$179				\$0
Obligations	\$9,810	\$10,702	\$10,639	\$10,919	\$280
Average Employment	76	86	86	87	1
Assistant Secretary for Congressional and Legislative Affairs:					
Budget Authority (net)	\$4,185	\$4,260	\$4,235	\$4,341	\$106
Net carryover	-\$220		\$225		-\$225
Obligations	\$3,965	\$4,260	\$4,460	\$4,341	-\$119
Average Employment	36	40	42	40	-2
Construction:					
Budget Authority (net)	\$6,309	\$5,405	\$5,373	\$5,524	\$151
Net carryover	\$3,270	\$1,195	\$35	\$2,304	\$2,269
Obligations	\$9,579	\$6,600	\$5,408	\$7,828	\$2,420
Average Employment	0	3	0	0	0
Totals:					
Budget Authority (net)	\$266,507	\$283,973	\$280,363	\$303,084	\$22,721
Wartime Supplemental 1/	\$62,896	\$0	\$0	\$0	\$0
Budget Authority (net) total	\$329,403	\$283,973	\$280,363	\$303,084	\$22,721
Reimbursements (w/o expenditure adj.)	\$204,859	\$139,131	\$280,631	\$340,097	\$59,466
Net carryover	-\$1,892	\$1,195	\$13,720	\$2,304	-\$11,416
Obligations	\$469,474	\$424,299	\$574,714	\$645,485	\$70,771
Average Employment	2,386	2,492	2,587	2,623	36

1/ In FY 2003, the balance of the \$100 million War Supplemental was held in the General Administration Account pending approval for use by VBA. The balance of the War Supplemental BA is reflected in the VBA Compensation Administration account in FY 2004.

Office of the Inspector General

This appropriation provides funding for the operation of the Office of the Inspector General (OIG). The OIG, established by the Inspector General Act of 1978, is responsible for the audit, investigation, and inspection of all Department of Veterans Affairs (VA) programs and operations.

The Office of the Inspector General, in accordance with the Act: (a) conducts audits, investigations and inspections of VA programs and operations and other activities carried out and/or financed by VA; (b) makes recommendations for the purpose of (1) promoting economy, efficiency, and effectiveness and (2) preventing and detecting fraud, waste, and abuse in VA programs and operations; (c) keeps the Secretary of Veterans Affairs and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity of corrective actions; and (d) provides leadership and coordination on complex audit, investigative and inspection matters.

Appropriation Highlights <i>(dollars in thousands)</i>				
	2003 Actual	2004 Current	2005 Estimate	Increase(+) Decrease(-)
Average employment	399	442	442	...
Funding:				
Obligations				
Administrative	\$56,528	\$68,440	\$67,869	-\$571
Construction ^{1/}	1,400	600	1,088	+488
Total Obligations	\$57,928	\$69,040	\$68,957	-\$83
Less: reimbursements	-2,735	-2,976	-3,158	-182
Rescission	+381	...	...	...
Expired BA	...	...	...	...
Net change in carryover	+3,076	-3,734	-367	+3,367
Appropriation	\$58,650	\$62,330	\$65,432	+\$3,102
Outlays	\$54,237	\$64,179	\$63,306	-\$873

1/ Beginning in 2005, construction funding is being requested in the IG appropriation. Construction shown in 2003 and 2004 is for presentation purposes only.

The OIG carries out operations through four Assistant Inspectors General (AIG): the AIG for Auditing; the AIG for Investigations; the AIG for Health Care Inspections; and the AIG for Management and Administration. The Office of Counsel provides legal assistance for the OIG to the Inspector General. The OIG organization consists of a headquarters in Washington, D.C. and field offices located throughout the country.

Budget authority of \$65.4 million and 442 FTE are requested to support the activities of the Office of the Inspector General (OIG) in 2005. Of this amount, no more than \$721 thousand is available for construction activities. The budget authority together with \$3.2 million in estimated reimbursements and an estimated net change in construction carryover of \$367 thousand will provide for total gross obligations of

\$68.9 million in 2005. This budget authority will assist the OIG in overseeing the quality of health care services rendered our veterans, identifying internal control vulnerabilities in benefit payment processes and detecting fraud through extensive review and analysis of VA databases and matching initiatives.

Acquisition and Materiel Management: Supply Fund

The Supply Fund is responsible for the operation and maintenance of a supply system for VA. Functioning as an intragovernmental revolving fund without fiscal year limitations, it seeks to assure the most timely, cost-effective acquisition and distribution of goods and services for VA programs. Its primary customer is the Veterans Health Administration (VHA). The Supply Fund plays an active role in supporting VHA's mission to ensure quality medical care is provided on a timely basis to eligible veterans.

The Supply Fund finances the following: (1) a National Acquisition Center or central contracting office; (2) the maintenance of field station inventories; (3) a service and distribution center; (4) a service and reclamation program; (5) a national prosthetics distribution center; and (6) an asset management service.

<i>Profit and Loss Statement</i> <i>(dollars in thousands)</i>				
	2003 Actual	2004 Estimate	2005 Estimate	Increase(+) Decrease(-)
Revenue	\$81,707	\$71,000	\$71,300	\$+300
Expense	62,433	71,000	71,300	+300
Net operating income	\$19,274	...	...	...

The Franchise Fund: Enterprise Centers

The Franchise Fund completed its sixth year of operations on September 30, 2001. The six lines of business (Enterprise Centers) are proving to be very successful. Sales have dramatically increased since our initial year of operations in 1997, i.e., from \$59 million to \$239 million. Annual audits performed by an independent CPA firm, with VA Inspector General (IG) oversight, and the Financial and Systems Quality Assurance Service (FSQAS) have confirmed full compliance with government-wide and VA cost accounting policies. Audits of the Fund's financial statements for the years 1998 through 2001 all resulted in an unqualified (clean) opinion.

The VA Enterprise Centers provide common administrative services to VA and other Government agencies under the authority of the Government Management Reform Act (GMRA) of 1994. In 2005, we request total obligations of \$235 million and an average employment of 705 to support the operations of the VA Enterprise Centers. Obligations have incased by \$12.6 million due to the greater demand for quality and cost-effective services. The request is based on the VA Enterprise Centers evolving into competitive organizations that provide value-added common administrative services to VA and a wide range of other federal government agencies. This evolution is driving some of the increases over 2004 estimate.

This budget requests extending the Franchise Fund pilot authorized by section 403 of P.L. 103-356 and title 1 of P.L. 104-204 until October 1, 2004.

VA Enterprise Centers FY 2005 Summary of Employment and Obligations (In thousands)					
	2003	2004		2005 Request	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Average Employment:					
Central Office	10	10	10	10	+0
Field	652	752	692	695	+3
<i>Total</i>	662	762	702	705	+3
Obligations:					
Personal Services	\$62,129	\$61,220	\$54,428	\$56,062	+\$1,634
Travel	1,687	1,458	2,733	2,646	-87
Transportation of Things	73	203	21	22	+1
Rent, Communications & Utilities	24,685	39,744	39,003	41,923	+2,920
Printing & Reproduction	2,516	2,236	4,765	8,096	+3,331
Other Services	80,153	41,762	103,456	110,315	+6,859
Supplies & Materials	2,218	2,413	1,787	1,802	+15
Equipment	18,319	10,426	16,219	14,211	-2,008
Leasehold Improvement	2,365	3,092	0	5	+5
Insurance Claims & Indemnities	0	0	25	25	+0
Total obligations	\$194,145	\$162,554	\$222,437	\$235,107	+\$12,670

Pershing Hall Revolving Fund

The Pershing Hall Revolving Fund (PHRF) provides for the obligation and receipt of funds associated with the operation and redevelopment of Pershing Hall, an asset of the United States, located in Paris, France. The United States acquired the property in 1935 from the American Legion under the provisions of Public Law 74-171.

In 1991, VA obtained jurisdiction and control over Pershing Hall through the enactment of Public Law 102-86, which provided for the building's redevelopment and the establishment of a memorial to General Pershing through a long-term lease. On October 20, 1998, the Department leased Pershing Hall for a period of 99 years to the French firm of L.A. Partners. The lease provides for the building's redevelopment as a hotel and the establishment therein of a memorial. In addition to the memorial, the lease also provides for the payment of consideration to VA.

Public Law 102-86 provides for the distribution of proceeds into the Construction Reserve Account of up to \$1 million, following reimbursement of expenses. Upon payment of the \$1 million, such proceeds will be available for projects and activities, determined by the Secretary in keeping with the mission of the Department. The Department can utilize up to \$100,000 annually, the maximum permitted by the law, for these purposes. Such expenditures would be subject to reporting requirements to our oversight committees.

From 2004 - 2014, a payment of 800,000 French Francs (FF) or the equivalent in Euros will be made to the fund, using an exchange rate of 6.50 FF per US dollar, yielding an expected \$125,000 in annual receipts. From 2015 - 2097 annual payments have been negotiated at 1.2 million FF (\$180,180). These payments, however, are subject to escalation as described in the lease.

<i>Fund Highlights</i> <i>(dollars in thousands)</i>				
	2003 Actual	2004 Estimate	2005 Estimate	Increase(+) Decrease(-)
Funding:				
Budget authority (transfer to Construction, Major)	\$-250	\$0	\$0	\$0
Obligations	\$0	\$0	\$0	\$0
Outlays	\$0	\$0	\$0	\$0
Receipts	\$250	\$125	\$0	-\$125